

UNCLASSIFIED

MEX-6/1

184

DEPARTMENT OF STATE
ASSISTANT SECRETARY

~~SECRET~~

July 31, 1961

TO: The Deputy Under Secretary for Political Affairs

THROUGH: S/S *mm*

FROM: ARA - Robert F. Woodward *RFW*

SUBJECT: Politico-Economic Discussions With Mexico.

DEPUTY UNDER SECRETARY OF S.

JUL 31 1961

DEPARTMENT OF STATE

Discussion

Mexico is following a basically neutralist course. Its actions and attitude on the Cuba problem within the OAS and UN have had the effect of supporting Cuba despite Mexico's commitments under the OAS Charter and Rio Treaty. The Mexican attitude is prejudicial to our own foreign policy objectives. Internally, Mexico is following policies which are discouraging to foreign investment. At the same time, Mexico has been receiving substantial financial assistance from the US, primarily through the Eximbank, but needs and is seeking more to maintain its high rate of economic development. It professes to want foreign investment and desires increased tourism to Mexico and more favorable treatment of its exports.

Ambassador Lamm has requested (see telegram No. 135 attached)(Tab B) that he be authorized to discuss with the Mexicans their policies with respect to communism and private foreign investment, to explore with them their development plans, and to indicate that we want to be as helpful as possible in assisting Mexico to find resources for its economic development.

Ambassador Lamm suggests we be flexible, but proposes that a basis for a cooperative effort might include action by Mexico (1) to repudiate Communist intervention, (2) to participate in hemisphere defense, (3) to establish and maintain a clear and consistent policy on foreign investment, and (4) to consider a program of tax reform based on ability to pay. Cooperation with us at the Montevideo meeting and support of the Colombian initiative on the Cuban problem offer excellent opportunities for Mexico to demonstrate a new cooperative spirit within the OAS framework.

For our part we suggests we be willing to consider (1) financial assistance on as substantial scale as possible, consistent with resources

PM/R	4/1

~~SECRET~~

(5) 425328

ARA: CMA - 7-26-61

FILED

of

CLASSIFIED FILE

612.00
712.5-45P
812.0000

"Declassified for Publication in
Foreign Relations of the United States"

UNCLASSIFIED

~~SECRET~~

- 2 -

of US lending institutions and support of Mexican request to international lending institutions, (2) encouraging private investment provided Mexico develops and maintains a reasonable policy on such investments, (3) encouraging private investors to give due regard to Mexico's financial situation in making remittances, (4) acceptance of an "independent" foreign policy by Mexico so long as it is consistent with Mexico's OAS Charter and Rio Treaty commitments (this excludes neutralism), (5) consultation with Mexico on any actions by the United States Government which would hurt Mexico's economy, e.g., termination of "commuter" employment in border cities, reduction or elimination of bracero program, and (6) settlement of all outstanding claims.

He suggests that making cooperation a two-way street is more urgent for Mexico than the United States. If Mexico is not receptive, we would withdraw from the discussions in a friendly manner and put a "slow man" on Mexico's requests.

Ambassador Mann has included in his list of items we might be willing to consider:

- (A) Possible exception for Mexico on reduction of duty free import privileges for American tourists and,
- (B) Coffee stabilization fund for Central America which would help Central America market its coffee in an orderly manner and avoid upsetting the market for Mexico which produces the same type of coffee.

We cannot agree to (A) because an exception for Mexico would be inconsistent with our GATT commitments. On (B), we are now considering the possibility of a world coffee agreement and until we know how that works out we would not want to undertake a separate arrangement with Central America. Further, Brazil strongly opposes such a measure. Brazil finances its own coffee marketing and feels Central America and Mexico could arrange private financing if they tried.

Recommendation

That you approve the attached telegram (Tab A) authorizing Ambassador Mann to undertake the exploratory discussions he proposes, with the exception of items (A) and (B) above.

Concurrences

E - Mr. Kerr

B/FAC - Mr. Bell

Attachments

additional concurrences on telegram.

Tab A - Telegram to Ambassador Mann.

Tab B - Telegram No. 136 from Mexico City.

~~SECRET~~

ARA:SA:WBS
7-26-61.

Telegram to
DCA 8:25 PM
7/3/61

11/18/61

"Declassified for Publication in
Foreign Relations of the United States"